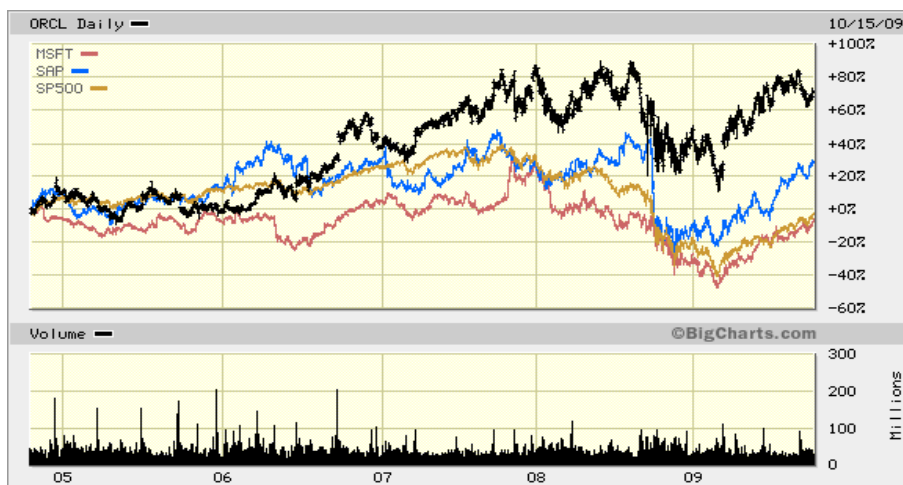


## Oracle Corp. (ORCL) 10/15/09

ORCL is the world's largest enterprise software company and operates in the development, manufacture, and distribution of its services. The company specializes in relational database software, which allows business to store and move large amounts of data. The company operates in two segments; Software with 80% of 2008 revenue and Services with 20%, and have announced they will create a Hardware segment in 2009. ORCL was founded in 1977 and is headquartered in Redwood City, California.

Current Price	\$21.32
52 Week High	\$22.95
52 Week Low	\$13.80
One Yr Target	\$25.00
Market Cap (in billions)	\$106.88
P/E (Trailing)	19.21
P/E(1 Yr Forward)	13.87
P/E/G	1.11
ROA	11.25%
ROE	22.58%
EPS	\$1.11
Beta	0.66
Annualized Dividend	\$0.20
Dividend Yield	0.94%
Analyst Consensus	2.00
Debt to Equity	1.03



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**Annual EPS**

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2005	\$0.64	
2006	\$0.81	26.56%
2007	\$1.06	30.86%
2008	\$1.09	2.83%
2009E	\$1.11	1.82%

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**Annual Revenue (in millions)**

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2005	\$14,380.00	
2006	\$17,996.00	25.15%
2007	\$22,430.00	24.64%
2008	\$23,252.00	3.66%

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**Annual Net Income (in millions)**

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2005	\$3,381.00	
2006	\$4,274.00	26.41%
2007	\$5,521.00	29.18%
2008	\$5,593.00	1.30%

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**Free Cash Flows (in millions)**

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2005	\$4,305.00	
2006	\$5,201.00	20.81%
2007	\$7,159.00	37.65%
2008	\$7,726.00	7.92%

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**Required Rate of Return**

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8.34%

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**Dividend Growth Model**

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Present Value of 2014 Price	n/a
Holding Period Return (5 years)	n/a

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**Expected Annualized Return Model**

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Present Value of 2014 Price	\$36.50
Holding Period Return (5 years)	13.62%

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**Residual Income Model**

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Intrinsic Stock Price	\$7.59
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# Analysis

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## Positives

Very solid financial numbers, nothing spectacular but most are good

Stock price is undervalued according to the EAR valuation model

## Negatives

Stock price is overvalued according to the RI valuation model

## Financial Statements

Balance Sheet is strong, with stable levels of Debt and Liabilities but growing Equity

Income Statement is good but has slowed in growth in the past year

Cash Flows are volatile, but in recent year company has issued dividends and retired stock

## Industry Analysis

Huge company in a large and competitive industry

Company has some of the best profit margins in the industry

## Summary

ORCL is a very solid company and has the financial numbers to match. Most everything looks good except for maybe a decently high P/E ratio, and the stock price is approaching its 52 week high. Its financial statements are strong, with the company able to increase revenues while maintaining a decent level of debt and expenses. The two applicable valuation models are split on whether the current stock price is overvalued or undervalued. As ORCL is a huge company it has aggressively been acquiring competitors, looking to decrease its software license costs and make them more competitive. Some areas of concern are the increasing likelihood of cloud-computing models and foreign exchange risk. ORCL should experience some nice long-term growth if they have made the right acquisitions, but with the uncertainty and a somewhat expensive price it earns a **hold** rating.